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Texas Oil Company Sentenced to Pay \$12 Million for Clean Air Act and Obstruction Crimes in Louisiana

Sentence Is the Largest-Ever Criminal Fine in Louisiana for Air Pollution

WASHINGTON – Pelican Refining Company LLC, was sentenced today to pay \$12 million for felony violations of the Clean Air Act and obstruction of justice charges in federal court in Lafayette, La., announced Stephanie A. Finley, U.S. Attorney for the Western District of Louisiana, Ignacia S. Moreno, Assistant Attorney General of the Environment and Natural Resources Division of the Department of Justice, and Cynthia Giles, Assistant Administrator for the U.S. Environmental Protection Agency's (EPA) Office of Enforcement and Compliance Assurance.

"This corporation operated without even the most basic requirements of an environmental compliance plan and endangered the public and its own employees by implementing unsafe practices in violation of its permit and reporting requirements," said Ignacia S. Moreno, Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice. "Today's plea demonstrates that the Justice Department will continue to vigorously prosecute those who violate environmental and workplace safety laws."

"This conviction sends a message to all those who threaten Louisiana's precious environment that if they ignore their duty to adhere to the environmental laws, they will be investigated, prosecuted, fined and sentenced accordingly," said U.S. Attorney Finley. "My office takes these violations very seriously, and we will continue to aggressively prosecute these types of cases. I particularly want to thank EPA, the Louisiana Department of Environmental Quality and the state police for helping to bring these serious crimes to light and assisting in the investigation and prosecution of Pelican and the responsible individuals."

"Facilities have a responsibility to protect their employees and local residents by following our nation's environmental laws," said Cynthia Giles, Assistant Administrator for EPA's Office of Enforcement and Compliance Assurance. "Corporations that choose to cut corners and ignore these critical safeguards will face significant consequences."

Pelican was sentenced today by U.S. District Court Judge Richard T. Haik Sr. to pay a \$12 million penalty, which includes a \$10 million criminal fine and \$2 million in community service payments that will go toward various environmental projects in Louisiana, including air pollution monitoring. The criminal fine is the largest ever in Louisiana for violations of the Clean Air Act. Pelican is also prohibited from future

operations unless it implements an environmental compliance plan, which includes independent quarterly audits by an outside firm and oversight by a court appointed monitor.

In a joint factual statement filed in court, Pelican, headquartered in Houston, admitted that the company had knowingly committed criminal violations of its operating permit at the refinery located in Lake Charles, La. The violations were discovered during a March 2006 inspection by the Louisiana Department of Environmental Quality (LDEQ) and the EPA, which identified numerous unsafe operating conditions. Pelican also pleaded guilty to obstruction of justice for submitting materially false deviation reports to LDEQ, the agency that administers the federal Clean Air Act in Louisiana.

Pelican admitted to the following:

- Pelican had no company budget, no environmental department and no environmental manager;
- In order to comply with a permit issued under the Clean Air Act, the refinery was required to use certain key pollution prevention equipment, but that equipment was either not functioning, poorly maintained, improperly installed, improperly placed into service and/or improperly calibrated;
- It was a routine practice for over a year to use an emergency flare gun to re-light the flare tower at the refinery designed to burn off toxic gases and provide for the safe combustion of potentially explosive chemicals; because the pilot light was not functioning properly, employees would take turns trying to shoot the flare gun to relight the explosive gasses;
- Sour crude oil was stored in a tank that was not properly placed into service and remained in the tank after the roof sank;
- A caustic scrubber designed to remove hydrogen sulfide from emissions was bypassed;
- A continuous emission monitoring system (CEMS) designed to measure the hydrogen sulfide levels in refinery emissions was not working properly; and
- Pelican provided false information to the states of Louisiana and Texas concerning the laboratory testing of asphalt.

Byron Hamilton, the Pelican vice-president who oversaw operations at the Lake Charles refinery since 2005 from an office in Houston pleaded guilty on July 6, 2011, to the crime of negligently placing persons in imminent danger of death and serious bodily injury in violation of the Clean Air Act as a result of negligent releases at the refinery. Hamilton faces up to one year in prison and a \$200,000 fine for each of the two Clean Air Act counts. On Oct. 31, 2011, Pelican's former asphalt facilities manager, Mike LeBleu, also pleaded guilty to a negligent endangerment charge under the Clean Air Act.

The government's investigation of the Pelican Refinery continues. Under the Crime Victims' Rights Act, crime victims are afforded certain statutory rights, including the opportunity to attend all public hearings and provide input to the prosecution. Any person adversely impacted is encouraged to visit

www.justice.gov/usao/law/vicwit/index.html to learn more about the case and the Crime Victims' Rights

Act or you may contact the Victim Witness Coordinator for the U.S. Attorney's Office, Western District of Louisiana.

The criminal investigation is being conducted by the EPA Criminal Investigation Division in Baton Rouge and the Louisiana State Police, with assistance from the Louisiana Department of Environmental Quality. The case is being prosecuted by U.S. Attorney Finley, Senior Trial Attorney Richard A. Udell and Trial Attorney Christopher Hale of the Environmental Crimes Section of the Environment and Natural Resources Division of the U.S. Department of Justice.

Photos:

www.epa.gov/compliance/criminal/investigations/pelican-exhibits.pdf

The Joint Factual Statement:

www.epa.gov/compliance/criminal/investigations/pelican-jfs-10-21-11.pdf

More information on EPA's criminal enforcement program:

www.epa.gov/compliance/criminal/index.html